

ANNUAL REPORT



2007-2008



Higher Education
Quality Council
of Ontario

An agency of the Government of Ontario



Profile

The Higher Education Quality Council of Ontario is an independent agency of the Government of Ontario dedicated to supporting the ongoing improvement of Ontario's system of postsecondary education. The Council was created through the *Higher Education Quality Council of Ontario Act, 2005*. Its mandate is to conduct research, evaluate the postsecondary education system and provide policy recommendations to the Minister of Training, Colleges and Universities with a view to enhancing the quality, access, and accountability of higher education in Ontario.

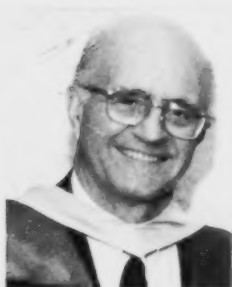


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Chair's Message

It is my pleasure to present the 2007/08 annual report of the Higher Education Quality Council of Ontario.



In this, our second year of operations, I am reminded of a favourite story which is an apt illustration of the Council's work. Some time ago three workers were stopped by a passer-by who asked each of them what they were doing.

The first said: "*I am cutting stone.*" The second said: "*I am making \$50 a day.*" And the third said: "*I am building a cathedral.*" Building a better higher education system, like a cathedral, takes vision, hard work, and patience.

In creating our Council, the Government of Ontario was seeking to ensure that its vision of excellence in higher education, and the future policy to support it, would be grounded in the best evidence and analysis contemporary research can provide. I am pleased to report that the Council is fully engaged in the hard work of fulfilling its mandate of producing this research.

Executing our Research Strategy

Last year, we were a fledgling organization engaged in foundation-building activities. Today, we have completed important initiatives in areas such as governance and staffing and have now moved to the heart of our work – evidence-based research.

The Council made significant strides with the

publication of its first *Review and Research Plan* in July 2007. This comprehensive document established an ambitious three-year agenda to guide our activities. From this framework, we have now successfully launched a series of innovative projects covering a wide range of subjects in our four defined areas of focus: *accessibility, learning quality, accountability, and inter-institutional transfer*. These undertakings promise to produce new knowledge and understanding and support the development of sound postsecondary policies and programs.

Strengthening our Infrastructure

This year, we significantly strengthened our team. In June 2007, I was pleased to welcome two new members to the Council's Board of Directors. The appointments of Catherine Henderson and David Marshall, both of whom are leaders in postsecondary education and have shown immense enthusiasm for their new responsibilities, have greatly enhanced the Board's capacity. We also successfully recruited a number of key staff. With the collective talent and energy of the board and staff, I am confident of the Council's capacity to accomplish its objectives.

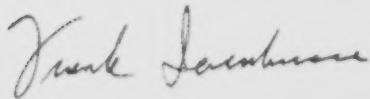
When we see our postsecondary system within a broader context, we place value on the credentials our graduates receive. A diploma, a degree or a certificate is not just a ticket to earn a living; rather, it is a passport to learning how to live. We owe it to our graduates to ensure that they have a postsecondary system that is internationally recognized for its

excellence. I believe the Council is well positioned to play an instrumental part in achieving that excellence. In this respect, I should like to thank my colleagues on the Board for their dedication during the past year and to acknowledge the leadership of Dr. James Downey, our President and CEO, and his talented colleagues.

Discovering and Sharing Knowledge

In the coming year, I hope you will check in with us frequently. We will release new research findings and analysis as projects come to completion.

My expectations for postsecondary education in Ontario and for the work of the Council may seem to some to be lofty ideals. This does not disturb me, for as one poet wrote: *"Ideals are like the stars: we can never reach them, but like the mariners of the sea, we can chart our course by them and safely reach our destination."*



The Hon. Frank Iacobucci, C.C., Q.C.

Chair, Higher Education Quality Council of Ontario

Executing Our Research Strategy

Building on the foundation laid in its first year of operation, the Higher Education Quality Council of Ontario is moving forward on its core activity, conducting and interpreting evidence-based research. A wide range of innovative projects has been launched, each designed to contribute to the Council's strategy either as baseline research or as preliminary work to develop policy advice.

Creating a Research Framework

In July 2007, the Council released its first *Review and Research Plan*, which assessed some of the existing body of research on higher education in Ontario, identified information gaps, and set out research priorities in the areas of accessibility, learning quality, accountability, and inter-institutional transfer.

In developing the *Review and Research Plan*, the Council was aware that various organizations and individuals have already established valuable expertise in higher education research. For this reason, the Council decided to execute its plans through an inclusive research approach that would bring together researchers and practitioners from across the postsecondary sector through major projects, expert discussion papers, conferences, workshops, colloquia, and other activities.

Research Projects and Multi-lateral Initiatives

In 2007/08 the Council launched more than 20 research projects and engaged in a number of multi-lateral initiatives spanning a cross-section of issues and topics related to postsecondary education.

The Council expects to release preliminary findings of these activities and embark on new research projects in the coming year. As the full benefit of the research results is harvested, more detailed findings and recommendations will be made public. A comprehensive outline of research initiatives, along with preliminary results, will be published in the Council's *2008 Review and Research Plan*.

Key research initiatives in 2007/08, categorized by broad subject area, include the following:

Accessibility

- An in-depth analysis of accessibility literature that identifies unique policy challenges facing Ontario and suggests directions for the Council's future accessibility research.
- An inter-provincial comparative analysis of participation in postsecondary education, utilizing the findings of the Statistics Canada Postsecondary Education Participation Survey (2002), that explores issues related to demand and capacity, persistence rates, and financial assistance.

- An examination of the types and amounts of student financial assistance offered within Ontario colleges and universities. Sources of information include student financial aid offices, awards offices, university business offices, and graduate studies faculties.
- A study, in partnership with three other organizations, that identifies the demographic, educational, financial, and other characteristics of young people in Ontario who do not pursue postsecondary education directly or shortly after leaving secondary school.

Learning Quality

- A multi-institutional research project that tests various approaches for enhancing undergraduate student engagement. A series of interventions related to teaching methods and student services will be conducted at 11 Ontario universities during the 2008-09 academic year. Outcomes will be evaluated against the findings of the National Survey of Student Engagement (NSSE).
- A survey of knowledge-exchange projects for exemplary teaching in other jurisdictions and of existing digital repository projects in Ontario.



Accountability

- An exploration of data needs and availability for constructing a quality and accountability framework for Ontario postsecondary education.
- A study that identifies and assesses the current use and role of university Key Performance Indicators (KPIs) in Ontario and throughout Canada.

Inter-Institutional Transfer

- An examination of selected examples of college-university collaborative programs. The research analyzes the factors behind the successes and failures of some collaborations and explains whether some models can be used by other institutions.
- A research paper on "polytechnics" that offers a comparative analysis of various higher education systems and a discussion of policy implications for Ontario.
- A research paper that explores issues related to Ontario college and university inter-institutional transfers and collaborations.
- A literature review of apprenticeship in Canada that highlights recurring issues and challenges to apprenticeship training in Ontario and its peer jurisdictions and also suggests areas for further research.

Discovering and Sharing Knowledge

To contribute to the development of better policies and practices, the Council has adopted an inclusive and open approach to both the seeking and sharing of knowledge.

Working Collaboratively

In 2007/08, the Council embarked upon a number of initiatives designed to build strong and effective relationships and to identify opportunities to leverage the established research expertise within the higher education community.



The Council has sought to engage the community in dialogue and collaboration. In particular, the Council's president met directly with senior administrators and faculty from each of Ontario's 19 universities and 24 colleges of applied arts and technology. The vast majority of these meetings took place on campuses, which provided insight into each institution's unique

mission. In addition, Council staff met regularly with college and university leaders.

The Council established a Research Consultation Group in September 2007, with representation from the universities and colleges, student and faculty associations, unions, and the Ministry of Training, Colleges and Universities. Meetings provide an opportunity to brief stakeholder groups and to receive feedback on the Council's research projects.

In support of its broad research agenda, the Council hosted a series of workshops that brought together researchers, policy makers, and senior college and university administrators to discuss relevant issues. The workshops were notable for the consistently high level of dialogue and generous input on the part of all participants. Among the topics addressed were:

- Ontario universities' experience with the National Survey of Student Engagement, and the survey's potential for supporting learning quality improvements;
- the state of colleges' learning-related data gathering and research, successful practices, and future research that could contribute to the enhancement of higher education; and
- the use of performance indicators in institutional planning and in the Multi-Year Accountability Agreements between the government and universities.

International Perspectives

In its first international event, the Council welcomed John Randall, a consultant on quality assurance and former chief executive officer of the Quality Assurance Agency for Higher Education in the United Kingdom, to Toronto in March 2008 for a thought-provoking discussion. The event was well attended by higher education researchers, policy makers, and representatives from Ontario's colleges and universities.

Ensuring an Open Dialogue

As one of its earliest considerations, the Council endorsed the position that the results of research efforts should be made widely available to all with an interest in higher education. In 2007/08, the Council developed a number of integrated communications approaches and tools to ensure its stakeholders are regularly apprised of its research activities and are provided with its reports and publications.

In particular, the Council embarked upon a series of incremental enhancements for its web site (www.heqco.ca). The site's architecture and navigation are being refined to lend better support to the Council's mandate and to ensure visitors can quickly and easily access the information they seek. The Council is also exploring ways to incorporate dynamic and user-generated content, such as streaming audio and video clips and discussion forums.

Strengthening Our Infrastructure

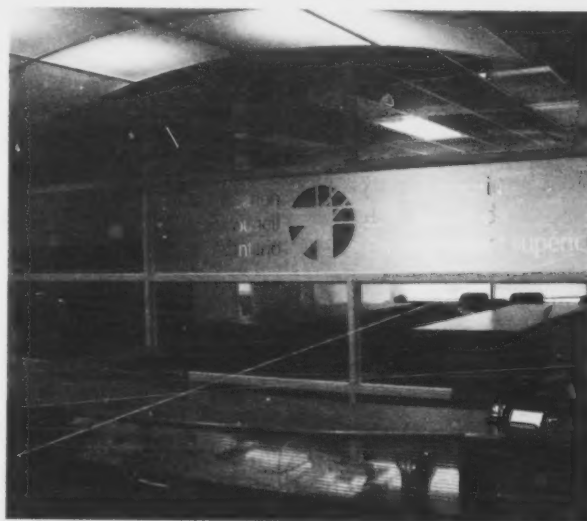
Achieving our research plan requires the support of a solid organization. The Council has established sound governance policies and operating processes.

Governance Policies and Operating Processes

Appropriate governance policies and operating processes are important to ensuring that all of the Council's activities are consistent with its status as an independent agency of the Government of Ontario. In keeping with its public accountability, the Council has adopted three significant measures:

- *Contracts:* A contracts process was developed to support the Council's collaborative research approach. This process defines how requests for proposals are issued, contracts awarded, and research partnerships with other organizations established.
- *Conflict of Interest:* A conflict of interest policy was established to foster an organizational culture of integrity and accountability. Closely mirroring the conflict of interest rules set out in the *Public Service of Ontario Act*, the Council's policy has been forwarded to the Office of the Conflict of Interest Commissioner of Ontario for approval and publishing.
- *Financial Administration:* The *Memorandum of Understanding* between the Minister of Training, Colleges and Universities and the Higher Education

Quality Council of Ontario provides that the financial procedures of the Council must be in accordance with applicable legislation, including the *Financial Administration Act* and Management Board of Cabinet Directives and Guidelines. These policies include, among others: financial operations, accounting and the preparation of financial statements, banking, budgeting and forecasting, travel and hospitality expenses. Prior to their approval, all policies were reviewed by the Ministry's internal auditors, the Council's senior management team, and its Audit Committee.



Recruiting a Talented Team

With just four full-time employees at the close of 2006/07, the Council required the services of consultants to support its day-to-day operations. In

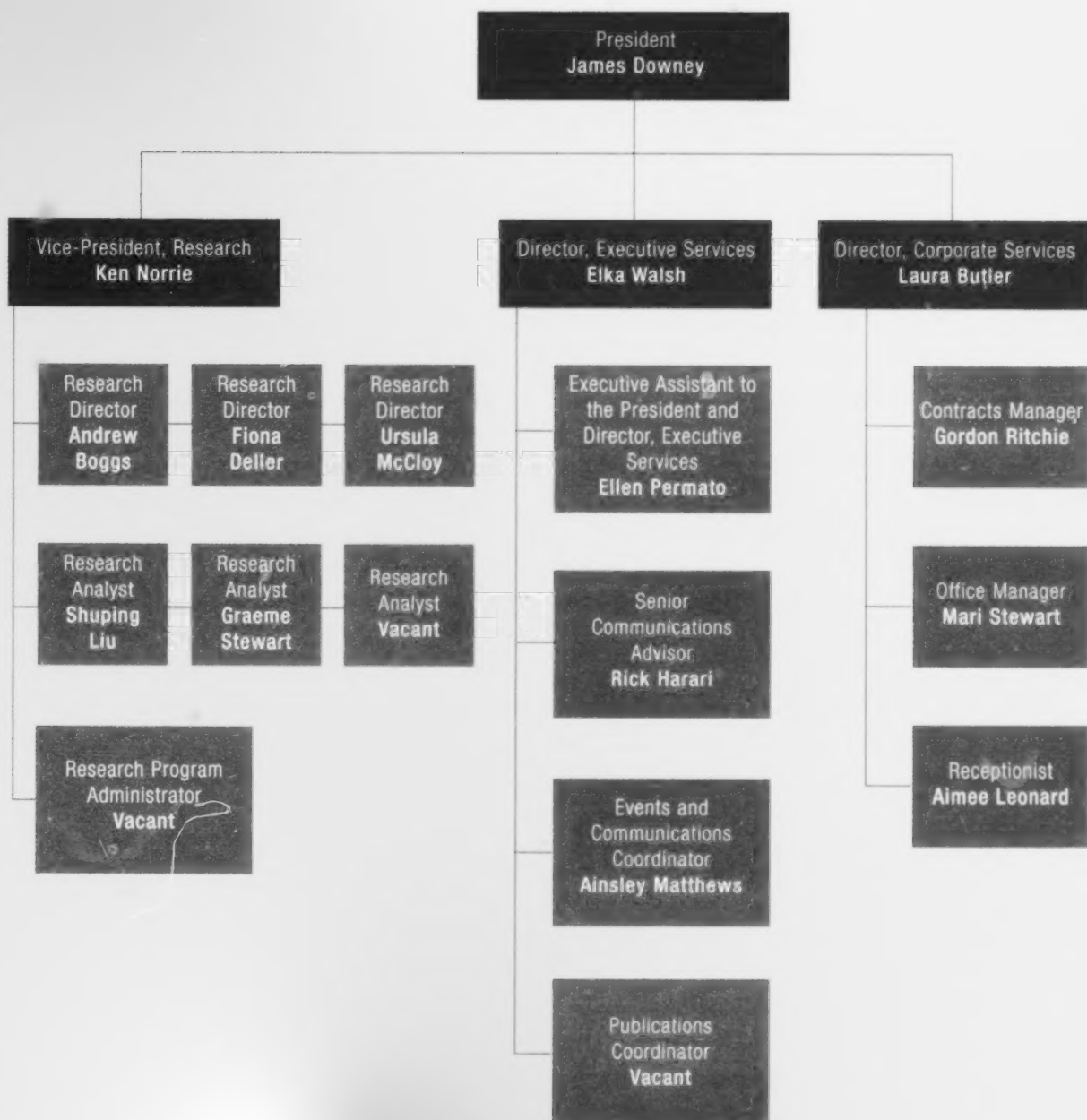
2007/08 the Council successfully recruited ten employees with requisite skills and experience.

In particular, the Research Unit enhanced its in-house capacity in 2007/08 with the development of a high-calibre team, including three research directors and two research analysts. An additional analyst position is expected to be filled in 2008/09.

The Corporate Services Unit strengthened the administrative operations of the Council by recruiting a contracts manager and an office manager.

In recognition of the role that communication plays in disseminating information on the activities and findings of the Council, the Executive Services Unit added a senior communications advisor and an events and communications coordinator.

Organizational Chart



Outlook for 2008/09

In the *2008 Review and Research Plan*, to be published in Fall 2008, the Council intends to expand on the discussion and analysis of the first report which was published in July 2007. The 2008 Plan will review the existing body of research literature, identify knowledge gaps, and refine the Council's research priorities. In addition, it will feature for the first time the Council's evaluation of the Ontario postsecondary education system. Presented within a framework of performance targets and measures, the evaluation will explore various aspects of accessibility, learning quality, and accountability.



During 2008/09, the Council expects to release the results of a number of short-term research projects, including literature reviews and expert discussion papers on issues such as college-university collaboration, apprenticeship, and financial and non-financial barriers to higher education. Many of the

Council's projects, however, are multi-year undertakings that compile data over one or more academic years and require sufficient time for analysis.

In addition to its research activities, the Council will continue to focus on engaging the higher education community by building on the successful workshops and events offered in 2007/08. One of the first such events is a Spring 2008 symposium on teaching and learning research, which will assemble international experts from a range of disciplines to discuss the latest approaches and developments within this emerging field of study.

Board of Directors

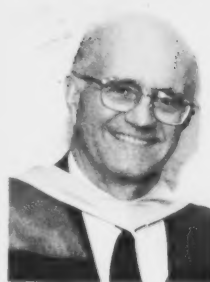
The Higher Education Quality Council of Ontario's board of directors brings a rich diversity of perspectives to the Council. Board members draw upon backgrounds in business, postsecondary education, and public service to guide and support Council's initiatives.

The board of directors is responsible for setting strategic direction of the Council and ensuring that its activities remain aligned with its mandate. To meet these responsibilities, the board works closely with management to develop and approve the Council's annual business plan.

The Council's board of directors met six times during 2007/08: April 25, July 6, September 11, November 6, December 18, 2007, and March 15, 2008.

All board appointments are made by the Lieutenant Governor in the Council.

In June 2007, the Council welcomed two new board members: Dr. Catherine Henderson and Dr. David Marshall.



The Honourable Frank Iacobucci, Q.C.

Chair

Term: May 12, 2006 - May 11, 2009

The Honourable **Frank Iacobucci** has had a distinguished career in private legal practice, academe, government, and the judiciary. He received his B. Comm. and LL.B from the University of British Columbia and went on to receive his LL.M. and Dip. Int'l L. from Cambridge University. In 1967, he joined the Faculty of Law, University of Toronto, and was a professor of law there until 1985. He also served as vice-president, internal affairs, at the University of Toronto from 1975 to 1979, dean of the Faculty of Law from 1979 to 1983, and vice-president and provost from 1983 to 1985. In 1985, he was appointed deputy minister of justice and deputy attorney general for Canada; in 1988, chief justice of the Federal Court of Canada; and in 1991, a justice of the Supreme Court of Canada.

He retired from the Supreme Court of Canada in June 2004 and served as interim president of the University of Toronto from September 2004 until June 2005. On July 1, 2005, he joined Torys LLP as counsel and became chairman of Torstar Corporation. He currently serves as a conduct review advisor for the Canada Pension Plan Investment Board and is a member of the board of directors of Tim Hortons Inc. As well, he is chair of the Rhodes Scholarships Ontario Selection Committee. He is a Companion of the Order of Canada.



Norie Campbell

Board Member

Term: October 5, 2006 -
October 4, 2009

Norie Campbell is senior vice-president and assistant general counsel in the legal department

at TD Bank Financial Group. From June 2004 to January 2006, she was vice-president and special assistant to the chief executive officer.

Prior to joining the legal department of TD Bank Financial Group in December 2000, she practised at the firm of McCarthy Tétrault LLP in the business law group. She is a member of the board of directors of the St. Christopher House Community Endowment.

She holds a LL.B. and LL.M. (banking and financial services) from Osgoode Hall Law School. She was called to the Bar in Ontario in 1997.



Gisèle Chrétien

Board Member

Term: September 6, 2006 -
September 5, 2009

Gisèle Chrétien served as president of Collège Boréal in Sudbury from 1998 to 2006.

Prior to this, she was vice-president of programs and academic support at Collège Boréal, dean of community and health services, and director of health services.

She is currently chair of the board of directors of the Sudbury Regional Hospital, and chair of the board of directors of TFO.

She holds a diploma in nursing from Cambrian College, a B.Sc. in nursing from Laurentian University, and an M.Ed. from the Ontario Institute of Studies in Education at the University of Toronto.



Navin Dave

Board Member

Term: September 20, 2006 -
September 19, 2009

Navin Dave is the managing partner for global resource leveraging for KPMG.

From 1984 to 1988 he was partner-in-charge of the Calgary office management consulting division. In 1994, he transferred to New Delhi as managing partner of KPMG India. On his return to Canada, he was appointed Calgary office managing partner and area managing partner for western Canada.

He holds a B.Sc. in mechanical engineering from the University of London and an M.Sc. in production engineering from the University of Birmingham. He is a fellow of the Institute of Chartered Accountants and a certified management consultant.



Catherine Henderson

Board Member

Term: June 13, 2007 - June 12, 2008

Currently a management consultant, **Catherine Henderson** has served as president of the Centennial College, and vice-president, academic of Sheridan College. During her distinguished career, she has also held a variety of academic positions at other leading Ontario educational institutions.

She is active in the community and is a member of the boards of the Multiple Sclerosis Society of Canada and the Toronto Waterfront Revitalization Corporation Advisory Committee.

She holds an Ed.D. from the University of Toronto, an M.Ed. from Brock University, a B.A. from the University of Toronto, and a diploma from Sheridan College.



David Marshall

Board Member

Term: June 13, 2007 - June 12, 2008

David Marshall is president of Mount Royal College, a position he has held since 2003. Prior to joining Mount Royal, he had a long career in education as a high school teacher, professor and dean. Most recently he served as president and vice-chancellor

of Nipissing University and for 13 years led that institution's transition to independent university status. He is currently leading Mount Royal through a similar transformation process.

He is a leader in the postsecondary education sector and has published on higher education management and undergraduate education. He holds various executive positions with several international higher education organizations.

He holds a B.Sc. from the University of Western Ontario, a B.Ed. from Lakehead University, and an M.Ed. and Ph.D. in educational administration from the University of Alberta.



Philip Steenkamp

Board Member (Non-voting)

Term: September 6, 2006 - September 5, 2009

Philip Steenkamp was appointed deputy minister of the Ontario Ministry of Training, Colleges and Universities in March 2006.

Prior to this, he was deputy minister of strategic policy and social development, Office of the Premier of British Columbia. Earlier, he was deputy minister of the B.C. Ministry of Advanced Education where he led the development of a long-term, comprehensive vision for postsecondary education designed to add 25,000 new student spaces by 2010.

Officers of the Council

Philip Steenkamp (Cont'd.)

He holds a B.A. Honours in History and English from the University of Natal in Durban, South Africa, and an M.A. and Ph.D. in African history from Queen's University, Kingston.

James Downey

President, Chief Executive Officer and Secretary to the Council

Kenneth Norrie

Vice-President, Research

Elka Walsh

Director, Executive Services

Laura Butler

Director, Corporate Services

Auditor's Report

Deloitte

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To the Members of the Board of Directors
Higher Education Quality Council of Ontario

We have audited the statement of financial position of the Higher Education Quality Council of Ontario as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Higher Education Quality Council of Ontario at March 31, 2008 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
April 18, 2008

Member of
Deloitte Touche Tohmatsu

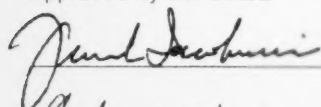
Higher Education Quality Council of Ontario

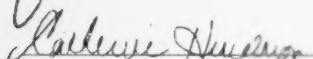
Statement of financial position

March 31, 2008

| | 2008 | 2007 |
|---|-----------|-----------|
| | \$ | \$ |
| Financial Assets | | |
| Cash | 672,036 | 1,088,226 |
| Account receivable (Note 8) | 192,925 | - |
| Interest receivable | 3,059 | 5,166 |
| GST receivable | 3,797 | 1,493 |
| | 871,817 | 1,094,885 |
| Liabilities | | |
| Accounts payable and accrued charges | 524,455 | 375,489 |
| Lease inducement | 157,556 | - |
| Deferred capital contributions (Note 5) | 627,791 | 678,270 |
| Due to Ministry of Training, Colleges and Universities (Note 4) | 197,394 | 397,331 |
| | 1,507,196 | 1,451,090 |
| Net debt | (635,379) | (356,205) |
| Non-financial assests | | |
| Tangible capital assets (Note 6) | 627,791 | 353,218 |
| Prepaid expenses | 7,588 | 2,987 |
| | 635,379 | 356,205 |
| Accumulated surplus | - | - |

Approved by the Board

 Director

 Director

Higher Education Quality Council of Ontario

Statement of financial activities

Year ended March 31, 2008

| | | For the period from December 6, 2006 to March 31, 2007 |
|--|--------------------------|--|
| | March 31, 2008 | March 31, 2007 |
| | Budget (Note 9) \$ | Actual \$ |
| | | Actual \$ |
| Revenues | | |
| Provincial funding | 5,000,000 | 2,820,976 |
| Amortization of deferred capital contributions | - | 132,109 |
| Interest income | - | 34,057 |
| | 5,000,000 | 2,987,142 |
| Expenses (Note 3) | | |
| Governance | 764,800 | 851,968 |
| Research | 3,559,200 | 959,444 |
| Administration | 676,000 | 1,175,730 |
| | 5,000,000 | 2,987,142 |
| Surplus for the year and accumulated surplus, end of year | - | - |

Higher Education Quality Council of Ontario

Statement of changes in net debt

Year ended March 31, 2008

| | March 31, 2008 | For the period from December 6, 2006 to March 31, 2007 |
|---|------------------|--|
| | \$ | \$ |
| Net debt, beginning of the year | 356,205 | - |
| Surplus for the year | - | - |
| Acquisition of tangible capital assets | 406,682 | 353,218 |
| Amortization of tangible capital assets | (132,109) | - |
| Other adjustments - prepaids | 4,601 | 2,987 |
| Net debt, end of the year | 635,379 | 356,205 |

Higher Education Quality Council of Ontario

Statement of cash flows

Year ended March 31, 2008

| | March 31, 2008 | For the period from December 6, 2006 to March 31, 2007 |
|--|----------------|--|
| | \$ | \$ |
| Operating activities | | |
| Surplus for the year | - | - |
| Items not involving cash | | |
| Amortization of deferred capital contributions | (132,109) | - |
| Amortization of capital assets | 132,109 | - |
| Amortization of lease inducement | (35,369) | - |
| Change in non-cash operating items | | |
| Interest receivable | 2,107 | (5,166) |
| GST receivable | (2,304) | (1,493) |
| Prepaid expenses | (4,601) | (2,987) |
| Accounts payable and accrued charges | 148,966 | 375,489 |
| Due to Ministry of Training, Colleges and Universities | (199,937) | 397,331 |
| | (91,138) | 763,174 |
| Capital activities | | |
| Purchase of tangible capital assets | (406,682) | (353,218) |
| Financing activities | | |
| Deferred contributions related to capital assets | 81,630 | 678,270 |
| (Decrease) increase in cash | (416,190) | 1,088,226 |
| Cash balance, beginning of year | 1,088,226 | - |
| Cash balance, end of year | 672,036 | 1,088,226 |

Higher Education Quality Council of Ontario

Notes to the financial statements

March 31, 2008

1. The Organization

Formation and status

The authority to create the Higher Education Quality Council of Ontario was established in the *Higher Education Quality Council of Ontario Act, 2005*. The Council is a Crown Agency of the Ministry of Training, Colleges and Universities (MTCU) and is classified as an Operational Services agency.

The Higher Education Quality Council is a corporation without share capital and is not subject to the Corporations Act or the Corporation Information Act. The Council is subject to section 132, subsection 134(1) and section 136 of The Business Corporations Act. As an agent of the Crown, the Council is not subject to income tax.

The Council is, and exercises its powers only as, an agent of the Crown. Limits on the Council's ability to undertake certain activities are set out in both the Act and The Memorandum of Understanding between the Council and MTCU dated December 6, 2006.

Council operations

The objective of the Council is to assist the Minister of Training, Colleges and Universities in improving all aspects of the postsecondary education sector, including improving the quality of education provided in the sector, access to postsecondary education and accountability of postsecondary educational institutions.

Council members were appointed in 2006 and 2007, held their first meeting in October 2006 and commenced operations as of December 6, 2006. The Council received its first transfer of funds from the Provincial government in December 2006.

2. Significant accounting policies

The financial statements of the Higher Education Quality Council of Ontario (the "Council") are the representations of management prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Accounting policies followed by the Council are as follows:

Basis of accounting

Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired, and a legal liability is incurred or transfers are due.

Government transfer payments

The Council is funded solely by the Province of Ontario in accordance with budget arrangements established by MTCU. These financial statements reflect agreed funding arrangements approved by the MTCU.

Government transfer payments from the MTCU are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Higher Education Quality Council of Ontario

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)*Basis of accounting (continued)*Deferred contributions

Certain amounts, including transfer payments from the MTCU, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed.

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. Deferred capital contributions are amortized into revenue in accordance with the amortization policy applied to the related capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historical cost. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

| | |
|-------------------------|---------------|
| Computer equipment | 3-5 years |
| Furniture and equipment | 5 years |
| Leasehold improvements | Life of lease |

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from these amounts.

3. Expenses by object

| | Governance | Research | Administration | Total |
|--------------------------|------------|----------|----------------|-----------|
| | \$ | \$ | \$ | \$ |
| Salaries and benefits | 590,543 | 456,014 | 363,581 | 1,410,138 |
| Research contracts | - | 404,085 | - | 404,085 |
| Consulting contracts | 75,209 | 37,355 | 195,009 | 307,573 |
| Other operating expenses | 186,216 | 61,990 | 617,140 | 865,346 |
| | 851,968 | 959,444 | 1,175,730 | 2,987,142 |

Higher Education Quality Council of Ontario

Notes to the financial statements

March 31, 2008

4. Due to Ministry Of Training, Colleges and Universities

Funding received in excess of expenditures may be required to be repaid and is recorded as due to Ministry of Training, Colleges and Universities.

5. Deferred capital contributions

Deferred capital contributions related to capital assets represent the unamortized amount of grants and other contributions received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of financial activities.

During the year, the Council utilized \$112,725 of its 2007 / 2008 MTCU funding for additional capital purchases. The MTCU funds used to purchase these capital assets have been included as part of deferred capital contribution and are to be amortized into revenue on the same basis as the amortization of the purchased assets. An amount of \$31,095 which was part of the unspent capital contributions at March 31, 2007 relating to leasehold improvements was not required and that amount has now been reclassified as part of the amounts due to the Ministry of Training, Colleges and Universities.

| | 2008 | 2007 |
|-----------------------------------|---------|---------|
| | \$ | \$ |
| Balance, beginning of year | 678,270 | - |
| Contributions received - net | 81,630 | 678,270 |
| Less amounts amortized to revenue | 132,109 | - |
| Balance, end of year | 627,791 | 678,270 |

The balance of unamortized capital contributions related to capital assets consists of the following:

| | 2008 | 2007 |
|---|---------|---------|
| | \$ | \$ |
| Unamortized capital contributions used to purchase capital assets | 627,791 | 353,218 |
| Unspent contributions | - | 325,052 |
| Balance, end of year | 627,791 | 678,270 |

Deferred capital contributions in the amount of \$627,791 relate primarily to funding received for leasehold improvements that were completed during the year.

6. Tangible capital assets

| | 2008 | 2007 |
|-------------------------|----------------|----------------|
| | Net Book value | Net Book value |
| | \$ | \$ |
| Computer hardware | 32,989 | 7,270 |
| Leasehold improvements | 585,156 | 345,948 |
| Furniture and equipment | 9,646 | - |
| | 627,791 | 353,218 |



Higher Education Quality Council of Ontario

Notes to the financial statements

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7. Pension agreements

The Council makes contributions on behalf of its staff to the Public Service Pension Plan (PSPP) administered by the Ontario Pension Board (OPB), which is a multi-employer plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The contribution rates in 2007-08 remained constant at 8% of the Year's Basic Earnings, plus 6.2% of the Year's Maximum Pensionable Earnings (YMPE), and if applicable, 8% of earnings in excess of the YMPE. Contributions in the amount of \$41,099, including an amount of \$3,410 for a seconded employee, were made for employee earnings in 2007-08, and are included as an expenditure on the statement of financial activities.

8. Lease obligations and other commitments

The Council entered into a lease for 7,670 rentable square feet of office space on the 24th floor of 1 Yonge Street, Toronto, negotiated by the Ontario Realty Corporation, for a term of 5 years beginning May 15, 2007. Rentable square feet increased to 7,717 as a result of landlord's improvements to meet requirements in the Council's lease. Rent is payable monthly.

The Council's lease provides for a cash payment of \$25 per rentable square foot, as a rent inducement, and became due upon completion of the leasehold improvement project. An amount of \$192,925 has been set up as a receivable, and a portion of this has been amortized to reduce rent expense during the year. Amortization will continue over the term of the lease.

In addition to the above, the Council is committed to various office equipment leases.

Minimum annual payments under operating leases are as follows:

| | Premises \$ | Office equipment \$ |
|------|----------------|---------------------------|
| 2009 | 243,887 | 9,072 |
| 2010 | 243,887 | 9,072 |
| 2011 | 243,887 | 9,072 |
| 2012 | 30,485 | 9,072 |
| 2013 | - | 4,368 |
| | 762,146 | 40,656 |

9. Budget figures

A total budget of \$5,000,000 was approved by the MTCU for 2007/2008. The actual cash flowed to the Council was less than the budgeted amount as a result of the level of activity in the first full year of operation.



Higher Education
Quality Council
of Ontario

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